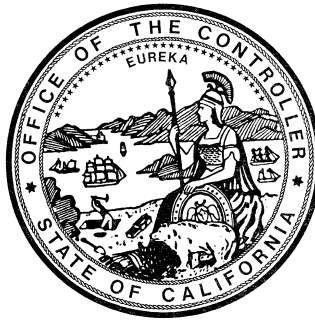


# CHARLES E. STRAND, CPA

Review Report

## QUALITY CONTROL REVIEW

For the CPA's Audits of  
**Delhi Unified School District**  
*for the Fiscal Year Ended June 30, 2002, and*  
**Gustine Unified School District**  
*for the Fiscal Year Ended June 30, 2002*



**STEVE WESTLY**  
California State Controller

October 2004



**STEVE WESTLY**  
**California State Controller**

October 22, 2004

Charles E. Strand, CPA  
222 South Thor Street  
Turlock, CA 95380

Dear Mr. Strand:

The State Controller's Office (SCO) completed a quality control review of Charles E. Strand, CPA. We reviewed the audit working papers for your audits of Delhi Unified School District and Gustine Unified School District, for the fiscal year ended June 30, 2002.

A draft report was issued on August 25, 2004. Your response to the draft report is included in this final report.

If you have any questions, please contact Casandra Moore-Hudnall, Chief, Financial Audits Bureau, at (916) 322-4846.

Sincerely,

"original signed by"

VINCENT P. BROWN  
Chief Operating Officer

VPB:JVB/jj

cc: Lee Anderson, Superintendent  
Merced County Office of Education  
Kirk McCandless, Superintendent  
Delhi Unified School District  
Terry Brace, Superintendent  
Gustine Unified School District  
Arlene Matsuura, Educational Consultant  
School Fiscal Services Division  
California Department of Education  
Charles Pillsbury  
School Apportionment Specialist  
Department of Finance

# Contents

## Review Report

|  |          |
|--|----------|
| <b>Summary .....</b>                                   | <b>1</b> |
| <b>Background .....</b>                                | <b>1</b> |
| <b>Objectives, Scope, and Methodology .....</b>        | <b>2</b> |
| <b>Conclusion .....</b>                                | <b>2</b> |
| <b>Views of Responsible Official .....</b>             | <b>2</b> |
| <b>Restricted Use .....</b>                            | <b>2</b> |
| <b>Findings and Recommendations .....</b>              | <b>3</b> |
| <b>Attachment—CPA’s Response to Draft Audit Report</b> |          |

# Review Report

## Summary

The State Controller's Office (SCO) completed a quality control review of the audit working papers for the audits performed by Charles E. Strand, CPA, of Delhi Unified School District for the fiscal year ended June 30, 2002 (FY 2001-02), and Gustine Unified School District for FY 2001-02. The last day of fieldwork was April 12, 2004.

The audits referred to above were performed in accordance with some elements of the standards and requirements set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States, often referred to as generally accepted government auditing standards (GAGAS); U.S. generally accepted auditing standards (GAAS); Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (K-12 Audit Guide), published by the SCO. However, the majority of auditing standards and requirements were not met. The basis for our opinion is that the CPA violated generally accepted auditing standards and governmental auditing standards with regard to general standards, fieldwork standards, and reporting standards. The CPA also did not comply with OMB Circular A-133 with respect to performing the audit in accordance with federal requirements.

## Background

Any governmental unit subject to a single audit must have the audit performed in accordance with the standards referred to in this report. According to OMB Circular A-133, the auditor's work is subject to a quality control review at the discretion of an agency granted cognizant or oversight status by the federal funding agency. In addition, *Education Code* Section 14504.2 authorizes the SCO to perform quality control reviews of working papers for audits of K-12 local educational agencies (LEAs) to determine whether audits are performed in accordance with U.S. General Accounting Office standards for financial and compliance audits.

Charles E. Strand is a certified public accountant with an office located in Turlock, California. The CPA performed 12 annual financial audits of LEAs for FY 2001-02.

The following audits were selected for the quality control review:

- Delhi Unified School District—The firm has been the independent auditor for Delhi Unified School District since FY 2000-01. During FY 2001-02 the district operated two elementary, one middle, and one high school, with a total average daily attendance (ADA) of 2,378 for the purpose of state funding.
- Gustine Unified School District—The firm has been the independent auditor for Gustine Unified School District since FY 2000-01. During FY 2001-02 the district operated two elementary, one middle, and two

high schools, with a total ADA of 1,645 for the purpose of state funding.

## **Objectives, Scope, and Methodology**

The general objectives of the quality control review were to determine whether these audits were conducted in compliance with:

- GAGAS
- GAAS
- K-12 Audit Guide
- OMB Circular A-133

The quality control review was conducted at the office of Charles E. Strand, CPA. The SCO reviewers compared the audit work performed by the CPA, as documented in the working papers, with the standards stated in the general objectives.

## **Conclusion**

The audits referred to above were performed in accordance with some elements of the standards and requirements set forth in GAGAS, GAAS, OMB Circular A-133, and the K-12 Audit Guide; however, the majority of auditing standards and requirements were not met. The basis for this opinion is discussed in the Findings and Recommendations section of this report.

This report is applicable solely to the audit working papers referred to above and is not intended to pertain to any other work of Charles E. Strand, CPA.

## **Views of Responsible Official**

We issued a draft report on August 25, 2004. Charles E. Strand, CPA, responded by the attached letter dated September 15, 2004, agreeing with the review results. The response is included in this final report as the Attachment.

## **Restricted Use**

This report is intended solely for the information and use of the specified parties; it is not intended to be and should not be used for any other purpose. This restriction is not meant to limit distribution of the report, which is a matter of public record.

“original signed by”

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

# Findings and Recommendations

## General

The Single Audit Act and the *Standards and Procedures for Audits of K-12 Local Educational Agencies* (K-12 Audit Guide), published by the SCO, require audits to be performed in accordance with U.S. generally accepted auditing standards (GAAS). These standards deal with the quality of the audits performed by the independent auditor and have been approved and adopted by the American Institute of Certified Public Accountants (AICPA). GAAS is divided into three areas: (1) general standards; (2) fieldwork standards; and (3) reporting standards. The three areas are divided into ten specific standards. In addition to GAAS, auditors of governmental entities must also perform audits in accordance with generally accepted government auditing standards (GAGAS), which expands the GAAS standards in several areas.

In the course of this quality control review, the SCO reviewers found that Charles E. Strand, CPA, did not comply with the majority of the GAAS and GAGAS standards.

In addition, the CPA did not adequately document testing of the single audit requirements for federal programs.

## Noncompliance With General Standards (GAAS)

### FINDING 1— Due professional care deficiencies

The CPA did not consistently exercise due professional care in conducting the audit and in preparing related reports. Findings 2 through 8 provide several examples of the failure to exercise due professional care.

There were written audit procedures for federal compliance testing and the CPA completed a checklist that procedures were performed; however, the referenced working papers were not provided. Therefore, the SCO reviewers were unable to determine whether adequate testing was performed or whether the CPA's conclusions were valid.

The audit report was not adequately supported by the working papers. There was no documentation supporting the CPA's conclusion for the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133. In addition, the notes to the financial statements were not adequately supported and the SCO reviewers were unable to trace evidence provided to supporting documentation.

The working papers did not clearly document the findings and conclusions reached and were not fully supported by sufficient, competent, and relevant evidence obtained or developed during the audit. In some cases, there was no documentation of work performed in the working papers.

AU Section 339.05 states, in part, that working papers:

... should be sufficient to show that ... the applicable standards of field work have been observed. Working papers ordinarily should include documentation showing that-

- a. The work has been adequately planned and supervised . . .
- b. A sufficient understanding of internal control has been obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed.
- c. The audit evidence obtained, the auditing procedures applied, and the testing performed have provided sufficient competent evidential matter to afford a reasonable basis for an opinion. . . .

GAGAS 3.26 states:

Due professional care should be used in conducting the audit and in preparing related reports.

GAGAS 3.28 states:

Exercising due professional care means using sound judgment in establishing the scope, selecting the methodology, and choosing tests and procedures for the audit. The same sound judgment should be applied in conducting the tests and procedures and in evaluating and reporting the audit results.

GAGAS 3.29 states:

Auditors should use sound professional judgment in determining the standards that apply to the work to be conducted. The auditors' determination that certain standards do not apply to the audit should be documented in the working papers. . . .

OMB Circular A-133, Subpart e, Section 500(d)(2), states:

The principal compliance requirements applicable to most federal programs and the compliance requirements of the largest federal programs are included in the compliance supplement. (3) For the compliance requirements related to the federal programs contained in the compliance supplement, an audit of these compliance requirements will meet the requirements of this part. Where there have been changes to the compliance requirements and the changes are not reflected in the compliance supplement, the auditor shall determine the current compliance requirements and modify the audit procedures accordingly. For those federal programs not covered in the compliance supplement, the auditor should use the types of compliance requirements contained in the compliance requirements test, and determine the requirements governing the federal program by reviewing the provisions of contracts and grant agreements and the laws and regulations referred to in such contracts and grant agreements.

The CPA failed to demonstrate due professional care in conducting the audits and preparing the related reports.

### Recommendation

The CPA should comply with GAAS and GAGAS in performing audits. The CPA should ensure that audit reports are adequately supported by the working papers. In addition, the working papers should document all audit procedures performed and details of testing.

## **Noncompliance With Fieldwork Standards for Financial Audits (GAAS)**

### **FINDING 2— Internal control deficiencies**

The CPA did not determine whether internal control policies and procedures had been placed in operation for Delhi Unified School District and Gustine Unified School District. The CPA used a questionnaire to document internal control audit procedures; however, there was no evidence that the CPA determined whether controls had been placed in operation, and the CPA stated that no tests of controls were performed. In addition, the CPA assessed control risk at below the maximum level for debt and lease obligations, computer controls, investments, and payroll; however, the working papers did not contain evidence of testing performed for these areas.

GAAS and GAGAS require that auditors obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing, and extent of tests to be performed.

AU Section 319.02 states, in part:

In all audits, the auditor should obtain an understanding of internal control sufficient to plan the audit by performing procedures to understand the design of controls relevant to an audit of financial statements, and determining whether they have been placed in operation. . . .

AU Section 319.61 states, in part:

The auditor should document the understanding of the entity's internal control components obtained to plan the audit. The form and extent of this documentation is influenced by the nature and complexity of the entity's controls. . . .

AU Section 319.83 states, in part:

In addition to the documentation of the understanding of internal control . . . the auditor should document his or her conclusions about the assessed level of control risk. . . .

GAGAS 4.30 states, in part:

AICPA standards and GAGAS require auditors to design the audit to provide reasonable assurance that the financial statements are free from material misstatements resulting from violation of laws and regulation that have a direct and material effect on the determination of financial statement amounts. To meet that requirement, auditors should have an understanding of internal control relevant to financial statement assertions affected by those laws and regulations. Auditors should use that understanding to identify types of potential misstatements, consider factors that affect the risk of material misstatement, and design substantive tests. . . .



If internal controls are not adequately evaluated, internal control weaknesses may not be identified. If control risk is not properly evaluated, substantive tests may not be appropriately or adequately designed, and errors may not be detected.

#### Recommendation

The CPA should ensure that he adequately documents his understanding of the control environment, policies and procedures for the control environment, accounting system, and control procedures. In addition, the CPA should determine and document whether control policies and procedures had been placed in operation. Also, the CPA should document the basis for his conclusions about the assessed level of control risk.

### **FINDING 3— Evidential matter deficiencies**

The SCO reviewer noted several instances of noncompliance with the evidential matter standard for Delhi Unified School District and Gustine Unified School District. Examples include the following:

For self-insurance reserves, the working papers contained no documentation of testing. The CPA did not perform an analysis of self-insurance reserves. In addition, the CPA stated that no testing was performed.

For revenues, the working papers contained no documentation of testing. The CPA did not compare budget to actual revenues for the period under review.

For payroll expenditures, the CPA performed payroll testing in the federal compliance sections; however, there was no testing performed in the financial sections. The CPA stated that analytical procedures were performed and additional procedures were listed on the working papers for federal programs. In addition, a detailed analysis of payroll was not performed. The following procedures were not considered or performed:

1. Names and/or duties were not compared to appointment documents, job classifications, and grant provisions, where applicable.
2. Position and rates were not compared to authorization documentation and grant provisions, where applicable.
3. Time records were not tested for authenticity and proper approvals.
4. The distribution system was not tested to determine that employee time was allocated to projects, functions, and grants in accordance with effort expended.
5. Computations were not tested.
6. Distribution of payroll costs was not tested (including charges to grants) and totals were not traced to the proper accounts and/or general ledger.

Also, there were no procedures performed to ensure the entity complied with the payroll taxes and filing requirements. The CPA stated that the procedures were not documented; however, he had discussions with the payroll clerk regarding this subject.

AU Section 326.01 states:

Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.

AU Section 326.02 states:

Most of the independent auditor's work in forming his or her opinion on financial statements consists of obtaining and evaluating the evidential matter concerning the assertions in such financial statements. The measure of the validity of such evidence for audit purposes lies in the judgment of the auditor; in this respect audit evidence differs from legal evidence, which is circumscribed by rigid rules. Evidential matter varies substantially in its influence on the auditor as he or she develops an opinion with respect to financial statements under audit. The pertinence of evidence, its objectivity, its timeliness, and the existence of other evidential matter corroborating the conclusions to which it leads all bear on its competence.

GAGAS 4.37 states, in part:

Working papers should contain

- a. the objectives, scope, and methodology, including any sampling criteria used;
- b. documentation of the work performed to support significant conclusions and judgments, including descriptions of transactions and records examined that would enable an experienced auditor to examine the same transactions and records; . . .

Due to the lack of supporting documentation provided, the SCO reviewers were unable to determine if the CPA obtained sufficient competent evidential matter to afford a reasonable basis for the opinion on the financial statements.

### Recommendation

The CPA should comply with GAAS and GAGAS and ensure that adequate evidential matter is obtained and audited. The CPA should also adequately document procedures performed in the working papers.

**FINDING 4—  
Working papers  
deficiencies**

The SCO reviewers noted several instances of noncompliance with the working papers requirements for Delhi Unified School District and Gustine Unified School District. Examples include the following:

There were written audit procedures for the federal section and the CPA completed a checklist that procedures were performed; however, the referenced working papers were not provided. Therefore, the SCO reviewers were unable to determine if adequate testing was performed or whether the CPA's conclusions were valid.

The working papers did not consistently support the financial statements. The SCO reviewers were unable to trace evidence provided to supporting documentation for several of the account balances, including self-insurance reserves, revenues, and payroll.

The working papers did not support the auditor's report on internal control. There was no evidence that the CPA determined whether controls had been placed in operation. In addition, the CPA assessed control risk at below the maximum level for debt and lease obligations, computer controls, investments, and payroll; however, the working papers did not contain evidence of testing performed for these areas.

AU Section 339.01 states:

The auditor should prepare and maintain working papers, the form and content of which should be designed to meet the circumstances of a particular engagement. The information contained in the working papers constitutes the principal record of the work that the auditor has done and the conclusions that he has reached concerning significant matters.

AU Section 339.05 states that working papers:

... should be sufficient to show that ... the applicable standards of fieldwork have been observed. Working papers ordinarily should include documentation showing that –

- a. The work has been adequately planned and supervised, indicating observance of the first standard of fieldwork.
- b. A sufficient understanding of internal control has been obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed.
- c. The audit evidence obtained, the auditing procedures applied, and the testing performed have provided sufficient competent evidential matter to afford a reasonable basis for an opinion. . . .

GAGAS 4.35 states:

Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditors' significant conclusions and judgments.

GAGAS 4.37 states, in part:

Working papers should contain:

- a. Documentation of the work performed to support significant conclusions and judgments, including descriptions of transactions and records examined that would enable an experienced auditor to examine the same transactions and records. . . .

Without adequate documentation, the judgments made and conclusions reached may not be accurate or valid.

#### Recommendation

The CPA should ensure that working papers are prepared in accordance with GAAS and GAGAS.

## Noncompliance With Federal Single Audit Requirements

### **FINDING 5— Federal program internal control deficiencies**

The CPA did not comply with federal requirements regarding the evaluation and testing of internal controls over compliance for federal programs for Delhi Unified School District and Gustine Unified School District. A checklist of procedures performed was signed by the CPA and referenced to working papers; however, the working papers did not adequately document whether the auditor performed procedures to obtain an understanding of internal controls over compliance that is sufficient to support a low assessed level of control risk for major programs. In addition, the auditor did not plan the testing of internal controls over compliance for major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program. The working papers did not support the conclusions reached, lacked the necessary detail to identify the purpose, and were not cross-referenced. The SCO reviewer was unable to determine if the district complied with OMB Circular A-133 and other federal requirements. The CPA stated that the testing was performed but was not documented in the working papers.

OMB Circular A-133 Section .500 states:

- (c) **Internal Control.** (1) In addition to the requirements of GAGAS, the auditor shall perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs; . . . (2)(i) Plan the testing of internal control over major programs . . . and (2)(ii) Perform testing of internal control as planned. . . . (3) When internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in paragraph (c)(2) of this section are not required for those compliance requirements. However, the auditor shall report a reportable condition (including whether any such condition is a material weakness) in accordance with .510, assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control.

Inadequate testing of internal control over compliance for major federal programs may result in internal control weaknesses or reportable conditions not being identified. In addition, without adequate testing of internal controls, the opinion expressed in the auditor's report on compliance with internal controls over compliance for federal programs may not be valid or accurate.

#### Recommendation

The CPA should comply with the requirements of OMB Circular A-133 regarding testing internal control over compliance for federal programs.

#### **FINDING 6— Federal program compliance deficiencies**

The CPA did not consistently test the 14 federal program compliance requirements as required for Title I and Special Education Program, which were major programs for Delhi Unified School District and Gustine Unified School District. For example, for both programs, the CPA did not test allowable costs, cash management, and reporting. A checklist of procedures performed was signed by the CPA and referenced to the working papers; however, the tests performed were not adequately documented in the working papers.

OMB Circular A-133 defines 14 types of compliance requirements and the related audit objectives that the auditor shall consider in every audit. Suggested audit procedures are also provided to assist the auditor.

OMB Circular A-133 Section .500 requires:

**(d) Compliance.** (1) In addition to the requirements of GAGAS, the auditor shall determine whether the auditee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs. (2) The principal compliance requirements applicable to most Federal programs and the compliance requirements of the largest Federal programs are included in the compliance supplement. (3) For the compliance requirements related to Federal programs contained in the compliance supplement, an audit of these compliance requirements will meet the requirements of this part. Where there have been changes to the compliance requirements and the changes are not reflected in the compliance supplement, the auditor shall determine the current compliance requirements and modify the audit procedures accordingly. For those Federal programs not covered in the compliance supplement, the auditor should use the types of compliance requirements contained in the compliance supplement as guidance for identifying the types of compliance requirements to test, and determine the requirements governing the Federal program by reviewing the provisions of contracts and grant agreements and the laws and regulations referred to in such contracts and grant agreements. (4) The compliance testing shall include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient evidence to support an opinion on compliance.

Without adequate testing, deficiencies may not have been identified or reported. In addition, the opinion expressed in the auditor's report on compliance for major federal programs may not be accurate or valid.

**FINDING 7—  
Federal program  
working paper  
deficiencies****Recommendation**

The CPA should comply with the requirements of OMB Circular A-133 with regard to testing federal program compliance.

The CPA completed a checklist of audit procedures performed for the federal compliance section; however, the working papers did not provide evidence to support the audit procedures performed related to federal compliance. The audit working papers did not support the conclusions reached, lacked necessary detail to determine the purpose, and were not cross-referenced.

AU Section 326.01 states, in part:

Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.

GAGAS 4.35 states:

Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditors' significant conclusions and judgments.

GAGAS 4.37 states, in part:

Working papers should contain:

- a. the objectives, scope, and methodology, including any sampling criteria used;
- b. documentation of the work performed to support significant conclusions and judgments, including descriptions of transactions and records examined that would enable an experienced auditor to examine the same transactions and records.

OMB Circular A-133 Section .500 requires the auditor to perform the following:

**(b) Financial Statements.** The auditor shall determine whether the financial statements of the auditee are presented fairly in all material respects in conformity with generally accepted accounting principles. The auditor shall also determine whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the auditee's financial statements taken as a whole.

The accuracy of the independent auditor's opinion on federal compliance may be impaired when evidential matter gathered is not considered sufficient and competent.

**Recommendation**

The CPA should comply with GAAS, GAGAS, and OMB Circular A-133 requirements regarding evidential matter.

## Noncompliance With Reporting Standards for Financial Audits (GAAS)

### **FINDING 8— Reporting deficiencies**

In his reports, the CPA stated the LEA audits were performed in accordance with generally accepted auditing standards and government auditing standards. In addition, for the audit report on major programs, the CPA stated that the audits were performed in accordance with the standards contained in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. However, because the CPA did not comply with all applicable standards as evidenced by the findings in this report, the independent auditor's report, the independent auditor's report on compliance and on internal controls over financial reporting, and the independent auditor's report on compliance with requirements applicable to each major program and internal control are incorrect.

Findings 1 through 4 identify GAAS and GAGAS deficiencies which substantiate that the CPA did not perform the audits in accordance with all of the applicable standards.

Findings 5 through 7 identify federal internal control and compliance deficiencies which substantiate that the CPA did not perform the audits in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

GAGAS 5.11 states:

Audit reports should state that the audit was made in accordance with generally accepted governmental auditing standards.

GAGAS 5.12 states:

The above statement refers to all the applicable standards that the auditors should have followed during their audit. The statement should be qualified in situations where the auditors did not follow an applicable standard. In these situations, the auditors should disclose the applicable standard that was not followed, the reasons therefor, and how not following the standard affected the results of the audit.

GAGAS 5.17 states:

Auditors should report the scope of their testing of compliance with laws and regulations and of internal control over financial reporting, including whether or not the tests they performed provided sufficient evidence to support an opinion on compliance or internal control over financial reporting and whether the auditor is providing such opinions.

If all applicable standards are not followed, and the audit reports are not modified to reflect this, the reports may be misleading and the effect on the results of the audit will not be adequately disclosed.

### **Recommendation**

The CPA should follow all applicable standards when performing audits. If applicable standards are not followed, the audit reports should be modified to disclose the standards that were not followed, the reasons they were not followed, and the resulting effect on the audit.

## **SCO's General Comment**

In his response to the draft report (Attachment), the CPA stated he is aware of the deficiencies identified as a result of the SCO's quality control review, and he has implemented the recommendations presented in this report.

We encourage the CPA to comply with all elements of the applicable standards and requirements in audits that he conducts in the future, and to ensure that audit reports and the audit procedures performed are adequately supported by the working papers.



**Attachment—  
CPA's Response to Draft Report**

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## Charles E. Strand

*Certified Public Accountant*

222 S. Thor St. Turlock, CA 95380  
Phone (209) 667-4477

P.O. Box 1940 Turlock CA 95381  
Fax (209) 667-5913

Cassandra Moore-Hudnall  
Chief Financial Audits Bureau  
State Controllers Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874

Dear Ms. Moore-Hudnall:

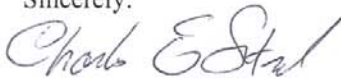
This letter is in response to the quality control review of my audits of two school districts for the year ended June 30, 2002.

Your office has addressed several areas of non-compliance in which documentation was not clearly explained and determination of audit scope was difficult to follow. Because the burden of proof of documentation rests with the outside auditor and requires that the working papers clearly document the conclusions drawn and the scope of the work performed, and the reviewer had difficulty in reaching that conclusion this office has instituted the following:

1. Increased continuing education in audit documentation, audit procedures, local governmental agencies, and other areas.
2. Increased the size and depth of the firm's library.
3. Decreased the number of school districts under audit contract to allow for additional documentation and performed procedures.
4. Increased the time allotted for each school district audit.
5. Adopted all suggestions and recommendations of the quality control review as well as any verbal recommendations made by your staff.

If I can provide you with additional information, please contact my office.

Sincerely:



Charles E Strand CPA  
September 15, 2004

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**